
EFFECTIVE ESA IMPLEMENTATION

Helping stakeholders create family-centric
programs that work



ABOUT EDCHOICE

EdChoice is a 501(c)(3) nonprofit, nonpartisan organization. Our mission is to advance educational freedom and choice for all as a pathway to successful lives and a stronger society. We are committed to understanding and pursuing a K–12 education ecosystem that empowers every family to choose the learning environment that fits their children’s needs best. EdChoice is the intellectual legacy of Milton and Rose D. Friedman, who founded the organization in 1996 as the Friedman Foundation for Educational Choice.

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EXECUTIVE SUMMARY

In the afterglow of the 2022 and 2023 legislative sessions—when Education Savings Accounts (ESAs) became universally available across several states—state agencies must confront a new reality. Unless ESA programs are implemented with fidelity and excellence, students could be harmed. For education reformers, problems with implementation could end up undermining the ESA cause for years to come.

Implementation of ESA programs will not be easy. The ESA model is novel and foreign to most state education agencies, which have little to no experience with helping families purchase a wide variety of educational goods and services using government funds. Even if agencies had the relevant experience, ESA programs are complex, involving millions of individual transactions as thousands of families make purchases from thousands of schools and other education providers.

EdChoice developed this guide to help state agencies succeed as they roll out ESA programs. EdChoice's goal is to ensure that ESA programs achieve their purpose: to empower families to choose the best education for their children.

Managing to Key Stakeholders

To successfully implement ESA programs, states must effectively address the interests and needs of various stakeholders. Five groups are especially critical: parents of students; schools and other education providers; state agent officials; state lawmakers; and taxpayers. States must recognize and effectively address the needs of each of these groups.

(1) Families and Parents. Strong ESA programs are parent-centric—that is, they prioritize the needs and desires of parents throughout the process. **Being parent-centric ensures that all students are well served because parents know their children's needs best.**

Parents want and deserve the ability to choose from a robust and diverse set of schools and other educational goods and services. They appreciate being able to quickly research and sort through their options, so that they can satisfy the unique educational needs of each child. They want the process for accessing and paying for educational goods and services to be simple, quick, and hassle-free.

In short, families want to easily access what their children need without friction or obstacles—that is, a smoothly operating educational marketplace. A parent-driven marketplace is an exciting and radical departure from the top-down bureaucratic systems that have long dominated American education.

(2) Schools and other Education Providers.

Strong ESA programs attract participation from a wide set of schools and other providers of educational goods and services. Providers want to participate in ESA programs where they can easily and quickly register, connect with students, and receive payments. Educational providers, like families, want a smoothly operating marketplace.

(3) State Agent Officials. Because statewide ESA programs are both complicated and a departure from traditional systems, state education agencies often need to invent new systems for implementing ESAs. The assigned agency must quickly develop the needed capacity, effective processes, and parent-centric culture to implement with excellence. Its officials can benefit by collaborating with their counterparts in other states, getting trained on best practices, and bringing on additional staff and expert contractors.

(4) State Lawmakers. Every ESA program came about thanks to the dedicated effort of several lawmakers, who each want to ensure the programs are now implemented effectively and faithfully to their legislative intent. When lawmakers see the program is working and making their constituents happy, they will be proud of the program and more likely support its growth during subsequent legislative sessions.

(5) Taxpayers. Without continued support from the public and taxpayers, ESA programs will falter. The taxpayers' representatives have enacted ESA programs knowing that the public believes students will be better off if they have more educational options. The public is also optimistic that ESA programs can be implemented with far less waste, fraud, and abuse than has been tolerated in many government programs.

State officials will usually implement ESA programs efficiently and with integrity, because they take pride in their jobs and care about the students who use ESAs. Beyond that, however, their role in influencing how the public views the program is limited. They must leave the political battles to others, while being highly sensitized to the politics so they perform well and remain neutral. Regrettably, school and teacher union leadership, along with their allies, will look for any opportunity in the media or halls of power to undermine public support for ESA programs. Union power derives from their control over the current system, and they are loathe to let decision-making shift to parents or educators with independent contracts. Union leaders see ESAs as a threat, and will oppose them relentlessly. State agent staff must be careful to avoid inadvertently supporting the union leadership's advocacy.

The best strategy for state agencies to maintain neutrality is transparency. Taxpayers deserve to know what is going on during implementation, including how public dollars are being spent. Legislators and others are right in thinking that transparency is helpful because it helps ensure public accountability, which, in turn, encourages constant improvement.

Managing a novel, complex program like an ESA is not easy for established state agencies with well-worn routines. The task of serving students well is made all the harder because agencies will need to sustain the support of multiple stakeholders. Their task will be easier, however, if they tell parents and other stakeholders what is working, what is not, and which adjustments are needed.

Building Capacity for Successful ESA Implementation

Most everything about implementing ESAs is new. State agent officials and advocates will often need to build management and administrative capacity to successfully implement them. Most families have always been assigned to zoned schools and specific teachers, so they have little to no experience navigating an education marketplace. Similarly, while a number of independent schools and other education providers have existed in parallel to standardized district schools, they have not been readily available to most students. Successful implementation requires that state agencies and allies intentionally build the needed capacity and create an increasingly vibrant education marketplace.

The first question the assigned state agent should answer is, "To what degree will we manage the ESA program?" Will we directly manage the program and its education marketplace or outsource management to one or more vendors? While local considerations will drive many of the answers about the proper mix of internal or external management capacity, agencies must thoughtfully and clearly address them. Doing so will help avoid confusion and conflicts, save time in the long run, and lay the foundation for efficient and effective management.

The agency tasked with implementing the program should start by making a comprehensive list of the program components and workstreams. The list will be long, including marketing the program, enrolling and vetting eligible families, recruiting schools and other educational providers, ensuring the payments are approved and processed efficiently, and preparing for state audits.

Once an agency has the full list of what it must either do or oversee, it can methodically evaluate its ability to succeed with each one. Most state agencies will not start out with the expertise, staff, or technology needed to manage every aspect of an ESA program, so they need

to quickly decide whether to build capacity in-house or outsource to external entities. States vary widely in their approach to ESA program management. Some manage each component of the ESA process themselves. Some manage ESA implementation through a variety of expert vendors. Still others rely on a single, turnkey vendor.

Establishing an ESA Marketplace

Regardless of how a state agent decides to build capacity for managing the ESA program, the goal is to create a vibrant education marketplace where families have access to a wide variety of schools and other educational goods and services. Under current laws, policymakers have envisioned the creation of a new, enclosed ESA marketplace, where the state controls which students and education providers can participate through a digital platform. (Over time, this enclosed marketplace may open up to something akin to the way other markets for goods and services operate in America.) Successful implementation of an enclosed ESA marketplace requires agencies to fulfill three responsibilities:

(1) Recruiting and Onboarding Education

Providers. Ideally, the ESA program will incorporate a variety of high-quality educational options by its launch date, so parents have lots of choices from the start. State agencies can automatically include in the marketplace any provider based on specific criteria, such as accredited K-12 schools or credentialed teachers as tutors. For education providers that aren't incorporated automatically, state agencies will want to define a clear and streamlined application process to make applying as easy as possible. This usually means developing a user-friendly web portal where providers can submit applications and upload any required documentation.

Digital wallet and marketplace platforms can streamline the recruitment and vetting of providers. Potential platforms include those currently offered by ClassWallet, Merit International, Odyssey (aka Primary Class), Step Up for Students, and Student First Technologies. State agencies can compare these

offerings on various factors, such as functionality, security, the types of payment mechanisms, and the features of an integrated e-commerce site.

(2) Recruiting and Onboarding Participating

Families. The state agent needs to develop a detailed plan for encouraging families to apply to the program, vetting applicant families, and onboarding and orienting approved families to using the ESA marketplace.

A strong family recruitment plan will be parent-centered, encouraging parents' questions, addressing their concerns, and supporting them as they enroll in the program. An interested family should have a quick and easy way to enter basic contact information and begin the application process. The ideal family recruitment plan will include digital media (free and paid), traditional media (free and paid), and in-person marketing. The state agent can manage the marketing work itself, or it can rely on vendors or nonprofit partners. If multiple entities are involved with marketing, coordination among them will lead to greater effectiveness.

The state agent will need a process for verifying which applicant families are eligible. The more complex the eligibility requirements, the more difficult and costly verification will be.

Eligible students and families need a clear process for receiving their ESA accounts and accessing the state's ESA marketplace. **The ideal family ESA interface is user-friendly and intuitive.** State agencies should assume that some families will need training and help using their ESAs and ensure that such support is available.

(3) Building a Marketplace and Creating a

Positive User Experience. Finally, state agencies need to bring ESA families and students together with schools and other education providers through an ESA marketplace. Successful experiences in the marketplace will determine whether families and providers enroll, continue to participate, or recommend the program to their peers.

Most ESA programs use digital platforms that let parents easily review, select, and pay their education providers. Similarly, education providers should be able to count on quickly getting paid. Therefore, the state agent needs to have a clear and efficient process for verifying and approving each request for reimbursement or payment.

Well-designed digital platforms not only provide a good experience for the users, but also for administrators. They can securely provide real-time reporting of transactions, facilitate approvals, and provide a digital audit trail that eliminates paperwork.

As each state refines its approach to ESAs, the experiences could help others continuously improve implementation. EdChoice will continue to monitor ESA implementations and share lessons from experiences across the country.

The practical experience of implementing ESAs also has implications for policymakers. EdChoice expects to publish a guide soon with specific policy suggestions based on lessons drawn from ESA implementations.

INTRODUCTION—THE RISE OF ESAS

Nationwide, the K-12 education system's response to the COVID-19 pandemic helped create extraordinary parental support for educational choice. In 2020 and 2021, parents gained firsthand insights into their children's academic challenges and their school's shortcomings. Sadly, many saw their kids falling behind academically as they were kept out of classrooms or experienced bad forms of virtual instruction. According to the "Nation's Report Card," students in fourth and eighth grade saw unprecedented declines in math and significant dips in reading achievement between 2019 and 2022.¹

Many parents and teachers also had their eyes opened to the possibilities of a different approach to education—one that is not characterized by regimented hours

each day, 180 days a year, spent in brick-and-mortar, factory-like buildings. "Schooling," they realized, could be customized to the individual needs and passions of every child. Education savings accounts (ESAs) could help families realize this new vision for education, so it's no wonder that roughly 75% of families now express support for ESAs.² Nor is it surprising that governors and legislatures across the country have enacted or expanded ESA programs.

The ultimate success or failure of ESA programs may hinge on one question: will they be implemented well or poorly? Successful implementation means effectively meeting the needs of all stakeholders—families and students, education providers, legislators, state agent officials, and taxpayers.

ESA programs have risen to their current levels of support and prominence for several reasons. One is the policy design itself. ESAs give families control over the allocation of government funds to meet their children's educational needs. It is an ideal form of parent choice. Other forms of school choice, such as public charter schools or K-12 tuition scholarships (classic vouchers), are constrained because students must be enrolled full-time in one school. The prominence of ESAs is also partly due to several governors making their enactment a high priority. In the wake of COVID-19, at least seven new ESA programs passed into law despite strong opposition from school unions and other defenders of the status quo, with each victory placing even more of a spotlight on ESAs.

New ESA programs are a beacon of hope for parents and families whose zoned public schools do not meet their students' full learning needs. Each state agent that implements an ESA program can create a thriving educational marketplace that meets student needs and builds the foundation for a broad system of education choice and customization. If ESAs lead to strong, sustainable educational marketplaces where families use taxpayer dollars effectively, then students will benefit. If ESAs lead to high-quality educations for significant numbers of students, then education freedom will gain momentum. In contrast, if ESA programs are poorly implemented, they could cause harm to students and the education-freedom movement.

Each state will design its ESA program and marketplace to match its own culture, rules, regulations, and educational landscape. Yet, a few basic principles are

applicable to any ESA program in the country. With that in mind, EdChoice created this Implementation Guide to share some of the lessons learned so far.

STATEWIDE ESA PROGRAMS AND KEY DISTINGUISHING FACTORS*						
State	Program Name (Enacted/ Launched)	Full-time Private School Enrollment Required?	Estimated # of Participating Students	Student Eligibility Criteria	% of Students Eligible Statewide	Approximate Annual ESA Value
Arizona	Empowerment Scholarship Accounts (2010/2011; 2022/2022)	No	>60,000	Once focused on students with disabilities, then expanded to universal eligibility in 2022	100%	\$11,332
Arkansas	Children's Educational Freedom Account (2023/2024)	Yes	n/a	Eventually universal eligibility (in 2025)	100%	\$6,614
Florida	Family Empowerment Scholarship for Educational Options (FES-EO) (2019/2019; 2023/2023)	No	>325,000	Once limited to low-in- come families, then expanded to universal eligibility in 2023	100%	\$7,700
Florida	Family Empowerment Scholarship for Students with Unique Abilities (FES-UA) (2014/2014)	No	85,000	Students with disabilities	10%	\$9,700
Indiana	Education Scholarship Account (2021/2022)	No	173	Students with disabilities	14%	\$17,355
Iowa	Education Savings Account (2023/2023)	Yes	n/a	Universal eligibility	100%	\$7,413
Mississippi	Equal Opportunity for Students with Special Needs (2015/2015)	No	390	Students with disabilities	6%	\$6,779
Montana	Special Needs Equal Opportunity Education Savings Account (2023/2024)	No	n/a	Students with disabilities	12%	\$7,000
New Hampshire	Education Freedom Account (2021/2021)	No	3,110	Lower-income students	30%	\$4,684
North Carolina	Personal Education Student Account for Children with Disabilities (2021/2022)	No	3,285	Students with disabilities	10%	\$5,922
South Carolina	Education Scholarship Trust Fund (2023/2024)	No	n/a	Low-income students	71%	\$6,000
Tennessee	Education Savings Account Pilot (2019/2022)	Yes	2,000	Low-income students living in specific locations	19%	\$8,300
Tennessee	Individualized Education Account (2015/2017)	No	292	Students with disabilities	2%	\$7,678
Utah	Utah Fits All Scholarship (2023/2024)	No	n/a	Universal eligibility	100%	\$8,000
West Virginia	Hope Scholarship (2021/2022)	No	1,797	Universal eligibility	93%	\$4,299

ESAs and Microgrants: What's the Difference?

This Implementation Guide focuses solely on statewide ESA programs. It is worth noting, however, that several states have also launched education microgrant programs.

Microgrants are like ESAs in that they provide parents with state funding they can use to purchase education services and goods. As a rule, parents cannot use microgrants to pay private-school tuition, and the grants, as the name suggests, are small. Most states with microgrants funded their programs with federal COVID relief aid.

In 2020, for example, Idaho created the Strong Families, Strong Students program, which used federal funds to provide all eligible families with up to \$1,000 per child for a variety of educational resources and services. That program morphed into a state-funded program in 2022 known as Empowering Parents. In contrast, Virginia's K-12 Learning Acceleration microgrant program provides eligible families with up to \$3,000 specifically for approved tutoring services.

Even though this Implementation Guide focuses on statewide ESA programs, many of the principles and suggestions in it could help anyone design and implement microgrant programs.

KEY PRINCIPLES FOR IMPLEMENTING A SUCCESSFUL ESA PROGRAM

When designing and implementing an ESA program, it's helpful to methodically consider the needs, interests, and experiences of all relevant stakeholders. Any ESA program is realized through people—students, parents, teachers, and others who care deeply about providing kids with excellent educational opportunities.

Five specific groups need to be considered: families and parents, education providers, state agent officials, state lawmakers, and taxpayers, because as each plays an important role in creating and sustaining a successful statewide ESA program. We might imagine each one of the five as spokes on a wheel. The wheel operates best if each spoke is strong. If any of the spokes weakens or falls away, the wheel cannot carry weight and move forward effectively. If enough spokes weaken or fall off, the wheel stops working.

In other words, ESA administrators must secure buy-in and support from all stakeholder groups. Doing so requires a keen awareness of all stakeholder groups and their respective roles. Administrators must continually communicate with all stakeholders to learn what's working, what's not, and where more support is needed. The needs of parents and students are naturally paramount during implementation. After all, they are the reason to have an ESA program. However, that does not mean it's wise to ignore the needs and interests of the other stakeholders. The burden of balancing the needs of various groups often falls to the ESA administrators, who must constantly analyze and balance each stakeholder's priorities and needs, even given limited resources. When the needs of all stakeholders are supported and balanced, everyone takes responsibility for helping make the program work well.

Satisfying all stakeholders' needs may take extra time and discipline, especially in the first few years of the program. Yet, the extra effort will create a sustainable ESA program that can meet student needs for years to come.

Designing for Families and Parents

The basic premise of ESAs is that parents and families should be empowered to choose the education that best suits their children. Thus, a family's needs, rights, and interests should be the top priority when designing and implementing any ESA program. For ESAs to function—let alone grow and thrive—families need to be enthusiastic about the value their children are receiving from them. Thus, ESA design and implementation must be family- or parent-centric.

These days, we are used to enjoying a plethora of options. From grocery stores to Amazon to dating apps, we are inundated with an abundance of choices, important information about each option, and easy ways to choose what satisfies our unique preferences and needs.

Parents, likewise, want and deserve a variety of education choices, good information about those choices, and easy mechanisms for choosing among them and paying for them. Because American public education has largely been a top-down monopoly, our K-12 system has not evolved to provide a diverse range of options, information about those options, or mechanism that put purchasing power into the hands of parents (or, for that matter, teachers). ESA administrators need, in effect, to help create a system that is filled with options and will run parallel to the traditional one.

Each child has unique learning needs—a reality that our current system has not been able to accommodate fully. Parents are the true experts when it comes to their children’s academic, social, emotional, and other needs. These two facts suggest several points about how successful ESA programs should be designed and implemented:

- ESA programs should offer diverse and plentiful educational opportunities, so that each family who uses the ESA program can design an education that meets the needs of each of their children.
- ESA programs should be easy to sign up for, easy to use, and fully meet the educational demands of families.
- Parents should be able to easily find and research the variety of options.
- Parents should be able to easily pay for educational goods and services with the funds that government has allocated for their children’s education.

State agencies have responded to these needs by procuring online portals for ESA recipients. These “online marketplaces” are not static. They include mechanisms to constantly add new providers of educational goods or services, as well as new information for parents. State agencies and platform vendors should

seek feedback from parents and providers, so they can continuously improve the user experience. The most successful platforms help parents choose, receive, and pay for education services. The platforms also provide training to parents and vendors and offer personalized help by phone, email, text, or chat.

The student ESA application process should be as clear, quick, and easy as possible. ESA programs have often restricted which students can receive ESAs and varied the amounts of ESA based on student criteria. The most common restrictions limit student eligibility to students who reside within a state or district, have a disability, are economically disadvantaged, or attended public school the prior year. These restrictions require states, often with the help of outside vendors, to verify that applicants are eligible. Ideally, the state’s administrator would identify existing government data sources that can be used to automatically verify the identity and eligibility for most applicants.

Families also deserve a system that accommodates their needs if their situation changes. This means that an ESA program should anticipate some families changing schools or providers. Parents should be allowed to easily make such changes without unnecessary layers of process or bureaucracy.

Families also deserve to hear about the ESA program and its potential for helping students. Skilled marketing professionals can help build awareness and understanding of ESA programs, a task that most state agencies do not have the capacity or inclination to take on themselves. Agency officials might need to rely on outside vendors or reform advocates to publicize these programs. Lawmakers could help by earmarking funds for marketing campaigns to reach parents and education providers.

The key principle to successful ESA implementation is ensuring that families can access a smoothly operating educational marketplace, where they can find and take advantage of what their children need without friction or obstacles. This parent-driven marketplace is an exciting and radical departure from the top-down bureaucratic systems that have dominated American education for decades.

On the other hand, if the ESA marketplace isn't operating smoothly and the user experience is difficult, parents are likely to become frustrated and not take full advantage of the program. A poor user experience, combined with relentless attacks from ESA opponents, could cripple an ESA program for years. Worse, parental frustration with one program could doom ESAs nationwide.

Accommodating Education Providers

The education providers in an ESA program are the people and organizations that parents can pay, using ESA funds, to meet the educational needs of their children. For most K-12 students, providers might include private schools, specific courses or programs, private tutors, or community colleges, as well as computers, graphing calculators, or connectivity devices. For students with disabilities, education providers might include educational therapists, assistive technologies, or supplemental curriculum.

Education providers offer the goods and services that make an ESA marketplace work. If the marketplace has a high number, quality, and variety of providers, families will be more likely to find options that fit what a child needs and deserves. Program administrators, therefore, need to attract a diverse set of high-quality education providers and make it as easy as possible for them to enroll in the ESA program.

Historically, most of the spending in ESA programs has gone toward private-school tuition. ESA program can make it easier for recognized private schools to join the ESA marketplace by including them by default. Schools should, of course, be able to opt out of the program if, for example, they do not want to subject themselves to any rules or reporting requirements that would accompany the funds. As ESA programs ramp up, lawmakers and state agencies will be under significant political pressure from ESA opponents to regulate private schools, often under the guise of accountability, so that they look and act like traditional public schools. Administrators should, by contrast, work toward making sure that burdensome regulations do not discourage private school participation.

Tutoring is another allowed expense in many ESA programs. An easy default for identifying qualified tutors is a valid teaching credential, which can be quickly documented and verified. While this provides a good pool of tutors to start, a larger pool is often needed, especially in the wake of COVID-19. ESA programs can increase the supply of tutors by incorporating the growing number of in-person or online tutoring organizations that screen their tutors for credentials and effectiveness. To incorporate even more quality tutors, including engaged college students and other adults, states could develop a separate process that is clear and streamlined.

Just as parents want an easy way to enroll in an ESA program, education providers will want a clear, quick, and simple path to register, connect with students, and receive payments. Education providers, like parents, want a smoothly operating marketplace, where students can learn about their goods and services and make payments.

Education providers are likely to opt out of participating in an ESA program if they find the program too difficult to enroll in, to get paid, and to get real-time reports of the status of their transactions. The digital platform used to operate an ESA program should be user-friendly and seamless for education-providers and parents alike.

Considering State Agent Officials

It is mostly intuitive that ESA programs must meet the needs of families, students and providers. It is less obvious that other stakeholders have important needs that also need to be addressed.

State education agencies have for decades operated in very similar ways with little disruption. Students are assigned to traditional, zoned public schools based on where they live, and agencies distribute state, local and federal funds according to specific formulas. It is a radical departure from this status quo for agencies to interact directly with families and approving their allowable financial transactions. Existing payment and management systems at education departments never contemplated such changes.

The agency assigned to manage the ESA must quickly develop new capacities, effective processes, and a parent-centric culture to implement with excellence. To get support, state agencies can collaborate with officials who are implementing ESA programs in other states, get training on best practices for ESA implementation, and bring on additional staff and expert contractors. A well-designed program can help hold down administrative costs by not imposing requirements on families or providers that offer little, to no, real value. Technology can further dramatically reduce the administrative burdens compared to traditional, labor-intensive processes.

State agent officials (including those at education and treasury departments) are tasked with doing the hard work of everyday ESA implementation. It is, then, crucial that they feel confident in operating the programs effectively. Small appropriations to invest in their administrative capacity will go a long way to ensure successful implementation.

Meeting Needs of Lawmakers

As a group, state legislators and governors want to see their ESA programs implemented with excellence and fidelity. For the unprecedented numbers of legislators who have stepped up to introduce and support universal ESA legislation, there is heightened interest in effective implementation.

To satisfy the concerns of lawmakers, state agencies would be wise to focus on three issues:

- **Transparency.** State agencies occasionally default to assuming that busy legislators are not all that interested in ESA implementation, unless there is bad news. In reality, whether key legislators favor or oppose education freedom, they prefer to be regularly kept apprised of progress. State agencies, working through their legislative and government liaisons, should have a plan to do so. Lawmakers tend to be especially interested in the participation levels of families and education providers, as well as efforts to protect the program's integrity.

- **Program Integrity.** All agencies have an obligation to protect government resources from waste, fraud, and abuse. Because of a small number of bad actors, this obligation becomes an ongoing struggle for every government program in existence, including traditional public schools. Lawmakers often have a specific interest in how agencies are maintaining program integrity.

Of course, state agencies should design their ESA-related processes to eliminate wastefulness, often by deploying technology to streamline and automate. Agencies should also conduct periodic risk assessments to identify potential points of fraud and abuse, and then deploy a variety of tools to monitor and audit transactions and to remove opportunities for deceit and cheating.

- **Participation Rates.** Key metrics for the success of an ESA program are, on one hand, the number and portion of eligible students who enroll and then purchase educational goods and services, and, on the other, the number and portion of eligible providers who enroll and are then used by students. Not only is it helpful to manage against such metrics, but it is also productive to provide a dashboard of such metrics to key policymakers. This information will inform their approach as they periodically adjust laws and regulations to meet family needs, keep up with shifting educational landscapes, and respond to unforeseen issues that arise during implementation.

Serving Taxpayers

Finally, no one should forget about the interests of those who pay for ESA programs: taxpayers. They support ESAs because they believe that families should have more educational opportunities and are in the best position to make decisions on behalf of their children. Taxpayers are willing to foot the bill for ESAs—as well as for public charter schools, traditional district schools, and a variety of public-school options—because they believe the investments will lead to better citizens and more productive workers. They also expect that public officials will proactively reduce waste, fraud, and abuse of ESA funds.

Taxpayers deserve transparency into how all public dollars are spent, including ESA funds. Financial transparency is not only a healthy expectation, but it is also a useful mechanism for providing public accountability, which, in turn, encourages constant improvement.

ESA programs can be built with transparency in mind. Program administrators should, in real-time, be able to monitor ESA transactions, and the public should have access to periodic reports. For example, Idaho set a high standard with its Strong Families, Strong Students microgrant program in 2020 and published anonymized data about every single transaction on a public website. At a minimum, ESA program administrators should be prepared to periodically release detailed public reports covering the number of student participants, the number and variety of participating education providers, the amount of funds awarded and spent, and an overview of how parents spend their ESA funds.

Transparency about student outcomes will also be of interest to taxpayers, as well as state agencies and lawmakers. Studies of student outcomes and parent satisfaction for other educational choice programs are positive and promising, so the theory behind ESAs is solid. Even so, taxpayers deserve additional information about the performance of specific ESA programs. State agencies must ensure that any studies of ESA program are academically strong and unbiased.

Because ESA programs are a relatively new, it's natural and healthy for taxpayers to have questions and even concerns about how ESA funds are used and how participating students are faring. **When programs operate with maximum transparency and provide timely reports, taxpayers will be reassured.** If transparency leads to uncomfortable questions about the use of funds or student outcomes, that's also healthy and will lead to deeper public understanding and, one hopes, improvements in the program.

When ESA administrators provide clear and accurate information about how an ESA program is operating and performing, they are laying the foundation for stronger public policy, irrespective of political battles. Transparency builds public understanding of the program, as well as trust in the agency.

BUILDING CAPACITY FOR SUCCESSFUL ESA IMPLEMENTATION

In many states, lawmakers assign the education department as the primary agency responsible for operating the ESA program. Other states delegate this responsibility to their treasury department, on the grounds that education departments lack experience with putting funds directly into the hands of families. In practice, both departments often collaborate to execute the law.

Fundamental Decisions

States will need to resolve several questions as they begin to implement ESAs, but the first question is this: **To what degree will the state directly manage the ESA program or outsource management to an external entity?**

To their detriment, state officials sometimes do not articulate their answer to this critical question. State officials and vendors, as a result, then get confused about responsibilities and miscommunicate, leading to conflicts, lost time, and mistakes.

Because implementing an ESA program will be a novel exercise for most state education or treasury departments, agencies should take time at the outset to plan which agency offices or external organizations will administer each part of the ESA program. One approach is to break the project into a handful of workstreams and then more granular subcategories of tasks, for example:

Day-to-day ESA program management and administration

- Managing RFP process to select external vendors
- Interpreting statute and proposing needed regulations
- Overseeing vendor and staff performance

- Producing and reviewing reports about ESA transactions to improve management and ensure legislative compliance
- Developing content for communications about ESA implementation to stakeholders, including agency officials, lawmakers, and the public

Communications and Outreach

- Marketing ESA program to parents and caregivers
- Marketing ESA program to schools and other education providers
- Ensuring that stakeholders, including agency officials, lawmakers, and the public, have clear, accurate information about the program

Application and Enrollment

- Vetting and processing student applications from families
- Vetting and processing applications from providers of education goods and services
- Creating and funding ESA digital wallet accounts for use in the enclosed ESA digital marketplace

Financial Transactions

- Processing payments from ESAs to education providers and reimbursing families for qualified expenditures
- Collecting documentation from families and vendors related to specific requests for education goods and services
- Approving (or denying, or requesting additional information about) specific requests for education goods and services

Customer Service

- Providing support for families and education providers as they enroll in the program

- Training families and education providers on how to use ESA marketplaces
- Providing ongoing tech support for families and vendors using the ESA marketplace

Once an agency has developed the full list of tasks, it should then evaluate the agency's capacity for taking on each one. When programs are first enacted, most state agencies do not have the expertise, available staff, or technology needed to manage every part of the ESA program, so they need to quickly decide whether to build in-house capacity or to outsource to external entities.

As shown in the graphic below, states vary in how much they take a hands-on approach. Some states manage each step and component of the ESA process, while others outsource almost all ESA implementation to one or more outside vendors.

CONTINUUM OF STATE AGENT MANAGEMENT

LOW

State outsources most of the program management and implementation. For example, Florida's entire ESA program – from raising tax-credited donations and managing ESA funds, to vetting applications, to making payments and creating public reports – is managed by Step Up for Students and other external nonprofit scholarship granting organizations (SGOs)

MEDIUM

State outsources some program components, typically the payment platform, but it retains other components in-house. For example, Arizona has historically managed most components in-house but has relied on an external vendor for processing payments and reimbursements.

HIGH

State outsources few or no program components to external entities. For example, the Mississippi Department of Education manages and executes all aspects of its small ESA program.

A state agent that chooses to outsource key areas of ESA management has three key questions to consider:

(1) Should the agency retain an external program manager to oversee day-to-day ESA administration?

At a minimum, the responsible state agent will need to devote staff and resources to such core functions as interpreting statutes, promulgating rules, determining detailed use-of-funds policies, and selecting and managing contractors. States may delegate non-governmental roles by outsourcing those activities to a program administrator, sometimes called a program manager.

If an agency decides to hire an outside vendor as the ESA program administrator, its next steps will be to determine who will manage that program administrator and select the right one. States have well-defined processes for collecting information and proposals from potential vendors. Ideally, states would have time to survey and understand the quickly evolving technology that can facilitate program implementation. The solicitation for the program administrator should be focused on achieving key outcomes and overall program goals. The contract for the administrator should include service level agreements that outline clear expectations around timelines, quality assurances, and deliverables.

The following chart captures how the various enacted ESA programs are approaching program administration as of September 2023: *(see next page)*

When evaluating potential vendors for the role of ESA program manager, a state agent should see a vendor with the following:

- **Track Record of Successful Program Administration.** Because ESA programs are complex and require top-notch management skills, any organization that administers an ESA program should have a strong record of implementing similar, multifaceted programs that earn high levels of user satisfaction.

- **Capacity beyond Program Administration.** If the state chooses to have the program manager provide a turnkey operation, it needs to ensure that the vendor's capacity is sufficient for all components of ESA implementation. For example, agencies must understand the comparative advantages and disadvantages of the various digital wallet and marketplace offerings, including security compliance, marketplace offerings, functionality, payment options, and real-time reporting.
- **Previous Government Partnerships.** Because the ESA program administrator will work closely with the state agent, it's ideal if the vendor has a proven successful track record working with similar state agencies.
- **Possible Compliance with Non-Profit Vendor Restrictions.** A handful of states, including Florida, require the program administrator to be a non-profit, but typically, either for-profit or non-profit organizations can play this role. Both types of organizations can do excellent work administering ESA programs.

(2) What parts of ESA implementation will be managed by outside contractors?

Whether an agency decides to hire a program administrator or manage day-to-day operations itself, it must decide which other components of the program will be implemented by outside vendors. An agency can rely on a single vendor as a turn-key operation that will provide all contract services, or it can rely on a variety of specialist vendors to manage separate parts of the program. The permutations are endless. Agency officials may, for example, ask the external program administrator to oversee the application process but separately hire another vendor to market the program.

Although many parts of ESA implementation can be operated by an external vendor, state agencies are not allowed to delegate core government functions and judgments to third parties. For example, agencies might use third-party consultants to draft regulations, but internal staff is ultimately

AGENCY, ADMINISTRATOR, AND VENDOR ROLES IN EXISTING ESA PROGRAMS

State	Estimated # of Participating Students	Student Eligibility Criteria	% of Students Eligible Statewide	Approximate Annual ESA Value
Arizona	Empowerment Scholarship Accounts	Arizona Department of Education	Arizona Department of Education	ClassWallet
Arkansas	Arkansas Children's Educational Freedom Account Program	Arkansas Department of Education	Arkansas Department of Education (for at least first year)	Pending ClassWallet for first year. RFP expected for future years.
Florida	<ul style="list-style-type: none"> Family Empowerment Scholarship for Educational Options Program Family Empowerment Scholarship for Students with Unique Abilities 	Florida Department of Education	Local Scholarship Funding Organizations (SFOs), the largest of which is Step Up for Students (SUFS)	Local SFOs, including SUFS
Indiana	Education Scholarship Account Program	Indiana Department of Revenue	Indiana Department of Revenue	ClassWallet
Iowa	Education Savings Account Program	Iowa Department of Education	Odyssey	Odyssey
Missouri	Missouri Empowerment Scholarship Accounts Program	Office of the Missouri State Treasurer	Local educational assistance organizations (EAOs)	ClassWallet thru Treasury Department
Mississippi	Special Needs Equal Opportunity Education Savings Account Program	Mississippi Department of Education	In-house	In-house
Montana	Special Needs Equal Opportunity Education Savings Account Program	Montana Office of Public Instruction	TBD (Program launches in 2024)	TBD
New Hampshire	Education Freedom Account Program	New Hampshire Department of Education	Children Scholarship Fund of New Hampshire	ClassWallet
North Carolina	Education Student Accounts (ESA+)	North Carolina State Education Assistance Authority	North Carolina State Education Assistance Authority	ClassWallet
South Carolina	Education Scholarship Trust Fund	South Carolina Department of Education	TBD (RFP to be issued)	TBD (RFP to be issued)
Tennessee	Individualized Education Account Program	Tennessee Department of Education	Tennessee Department of Education	Students First Technology TBD (RFP issued September 1.)
Utah	Utah Fits All Scholarship Program	Utah State Office of Education	TBD (RFP issued September 1.)	SUFS
West Virginia	Hope Scholarship Program	West Virginia State Treasury	SUFS	

responsible for interpreting laws and regulations and deciding how rules and regulations should be implemented. Essentially, contractors can handle implementation but not policymaking.

Thus, state agencies should check on the rules and precedents in their own states when determining what they can and cannot delegate to third party vendors. Here are some possible limits on what an agency can delegate in a given state:

GENERIC ESA DELEGATION GUIDELINES

MUST BE DONE BY STATE AGENT

- *Interpreting ESA law and promulgating ESA regulations and guidance.*
- *Establishing written guidelines for determining family and provider eligibility based on laws and regulations and deciding what documentation is required for verification.*
- *Establishing written guidelines for determining if expenditures are allowed based on laws and regulations*
- *Establishing written guidelines for auditing eligibility determinations, annual award amounts, account activity, and provider qualifications.*
- *Developing reporting standards and expectations.*

MAY BE DELEGATED TO EXTERNAL VENDOR

- *Marketing ESA program to parents and education providers*
- *Approving student and vendor applications based on clear guidelines from the responsible state agent.*
- *Approving specific expenditures based on clear guidelines from the responsible state agent.*
- *Processing approved ESA payments to education providers.*
- *Educating families and providing technical support.*

State agencies must interpret ESA laws and regulations to determine what constitutes an allowable use of ESA funds. For example, if a state law says that ESA funds can be used to purchase curriculum, then the state agent is responsible for determining and defining what a curriculum is (e.g., a set of books, a tutoring program, online

supplemental support, etc.). Once the state agent makes this type of core judgment, an outside vendor can support implementation.

(3) Should ESA implementation be outsourced to a single turnkey vendor or to multiple vendors with different areas of specialization?

Most state agencies will have the option of either outsourcing implementation to a single, turnkey vendor or to several vendors, each of which implements a discrete part. State agencies must be careful to consider various factors in making this decision, including total cost, administrative efficiency, risk of under-performance, and accountability for performance. The major advantage of the turn-key approach is convenience because, at least in theory, it's easier to select and manage one vendor than multiple specialists. The advantage of using multiple vendors is that state officials can select the “best in breed” for each area and still manage implementation cohesively.

One example of a turnkey vendor is Step Up for Students (SUFS), a nonprofit organization based in Florida that manages nearly all aspects of Florida's ESA and other school-choice programs for almost all of the state's students. SUFS raises tax-credited donations for scholarships, advertises the program to families and schools, manages student enrollment and all school relationships, oversees payments, and provides quarterly financial and enrollment reporting. Separate organizations advocate at the state capitol for legislative amendments to improve the program. SUFS has performed so well for Florida that legislators have continued to bolster its role as the dominant non-profit vendor providing an end-to-end solution. In contrast, other states have determined that it is better to either select vendors through an RFP process or empower multiple nonprofits to serve as intermediaries providing scholarships.

Until recently, the most common approach has been for the state agent to serve as the program manager or administrator and then retain separate specialists to provide, for example, application processing, program marketing, and a digital wallet

and marketplace. As more programs come online, the approach may be changing. In the Iowa RFP from early in 2023, the state agent required a single outside vendor to administer the ESA program, either through a turnkey operator or a prime contractor that bundled various specialists into a single proposal. Three of the respondents offered to provide the full range of services, including the chosen vendor, and one took the prime contractor approach.

ESTABLISHING AN ESA MARKETPLACE

It can be useful to think of ESAs as the mechanism for building a new marketplace for education goods and services. Like any successful marketplace, it requires both providers and purchasers of goods and services. One of the ESA administrator's key goals is to successfully onboard a diverse set of education providers to serve a variety of families.

Before bringing families and education providers into an ESA marketplace, the agency needs to set up rules, based on statute, for determining who is eligible to participate, how much will be allocated to accounts, and which expenditures are allowable. Even though ESA programs are new and evolving, these rules need to be clear as possible, understanding that not every expenditure a parent wishes to make will fall neatly into such boxes as “private-school tuition” or “fees for educational therapies.” The rules should outline the mechanisms for resolving ambiguous, one-off issues, such as unusual expenses. EdChoice favors mechanisms that allow parents to appeal if an agency deems that an expenditure is not allowed under the program. As these unusual issues are resolved, the underlying thinking should be captured, revealed publicly, and applied to similar future situations.

Recruiting and Onboarding Education Providers

One of the most pressing tasks before launching an EAS program is to populate an ESA marketplace with qualified providers of education goods and services. It takes substantial effort to identify, recruit, verify, and incorporate education providers into an ESA program. Ideally, an agency will have already approved a variety of high-quality options for students when the ESA program launches, so that families have lots of options when they are first interested in joining the program.

States agencies can automatically onboard some providers that are pre-approved to receive ESA funds — using such as lists of state-registered private schools (for full-time or part-time tuition), traditional or charter public schools (for specific courses), licensed education therapists of various types, and credentialed teachers (often for tutoring). In states that allow ESA funds to pay for post-secondary courses (e.g., through dual enrollment or career and technical education), the agency can also automatically include accredited colleges and universities.

Automatically adding groups of providers to the ESA marketplace allows a state agent to focus its resources on adding an even greater number and variety of education providers. However, state agencies should have a vehicle that allows providers to easily opt out of participating, since some schools and education providers are wary of participating in government programs due to potential bureaucratic burdens and intrusion. A state agent or its contractors may also proactively reach out to eligible providers to answer any concerns in advance of the program launch.

The assigned state agent will want to define a clear application process for any interested education provider. The agency should make the task of applying and getting approved as a provider as easy as possible, usually by deploying a user-friendly portal where providers can file an application and upload any required documentation. Families who use the ESA program can be a useful source of candidates for the ESA marketplace. Administrators should make it easy

to point potential education providers to an application site. (See sidebar.) This will build providers' trust in the program and make them more likely to continue participating.

IMPLEMENTATION OPPORTUNITY: PARENT REFERRALS PARENTS RECRUITING PROVIDERS

When an ESA program is created, many parents are already paying out of pocket for supplemental services like tutoring or speech therapy. (This is especially true for parents of students with special needs.)

When parents learn a new ESA program can help them pay for these services, they often want their current providers to participate in the program.

To facilitate the provider approval process, agencies need to make it easy for parents to connect education providers to the ESA providers' application site. At a minimum, they should be able to find a link to the provider enrollment site on the state's website, any FAQs about the ESA program, and the parent application site.

If the application process is overly complicated and burdensome, education providers may not participate, and students will be deprived of an option. Potential providers should be able to easily and securely submit an application, along with any required documentation such as licenses. After applying, potential providers should be able to easily ascertain the status of their pending request.

Additionally, the state agent needs to establish a clear process for its staff or an external vendor to vet providers and verify their eligibility to participate. Most ESA programs have requirements that apply to all providers, with additional requirements for distinct types of providers (e.g., brick-and-mortar programs, online programs, various types of therapists, etc.). These requirements need to be mapped out and communicated to each applicant. During the process to verify applicants, state agencies need to communicate actively and clearly to would-be providers understand where they are in the process.

The state agent or its designee can streamline the process for incorporating education providers into the ESA marketplace by deploying one of the available digital wallet and marketplace platforms. Potential platforms are available from such vendors as Class Wallet, Merit International, Odyssey (aka Primary Class), Step Up for Students, and Student First Technologies. State agencies will want to compare these offerings based on various factors, such as security, user experience, types of payments (e.g., direct ACH payment, reimbursement, and purchasing cards), and the availability and functionality of an integrated e-commerce site.

IMPLEMENTATION CHALLENGE: WHO QUALIFIES AS A TUTOR?

Many state laws allow families to use ESA funds for academic tutoring. A few states have a definition of "tutor" in law but most leave it up to the implementing agency to define the term.

Iowa, for example, passed an ESA law in 2023 that allows ESA funds to be used for "educational therapies, including tutoring."¹³ While this language is broad, Iowa's education department, when issuing emergency rules for the program, chose to limit providers to people with an Iowa teaching credential. This reduced the pool of potential tutors and disqualified graduate students and other subject-matter experts. In contrast, the Arizona Department of Education chose to allow anyone with a high school diploma to register as a tutor.

To avoid over-limiting the pool of tutoring providers, a state agent can use other factors including years of subject-matter experience or area of graduate study. State agencies can also partner with recognized tutoring firms, colleges, or other local organizations to create a pipeline of qualified ESA tutors.

Recruiting and Onboarding Families

When a state implements a new ESA program, it needs to develop a detailed plan for recruiting families to apply for the program, vetting families who apply, and then bringing onboard the approved families.

Recruiting Families to Participate in an ESA Program

The task of recruiting parents is all about educating the public—building awareness of the program, teaching parents about their educational options through the ESA program, and persuading families to apply. A strong family recruitment plan will be parent-centered and find ways to answer parents' questions, address their concerns, and support them at each step of enrolling in the program. The plan can be developed and executed in-house or by contractors. State agencies will benefit from working collaboratively with local community groups, schools, parent advocates, and philanthropists to bolster their internal marketing efforts.

Most state agencies have not been funded or required to market their ESA programs, so programs have mostly grown organically among families through word of mouth. Polling done through EdChoice shows that while parents overwhelmingly favor ESA programs, many are unaware when a program already exists in their state. A 2017 survey of Indiana parents found that 39% of traditional public-school parents and 36% of charter school parents had never heard of the state's private school-choice programs. Among low-income traditional public-school parents (the population most likely to be eligible for the program), the percentage rose to 51%.⁴

Ideally, a family recruitment plan will include digital media (free and paid), traditional media (free and paid), and in-person marketing. The specific mix will depend on the target audiences and the available resources. State agencies will almost always need marketing materials for Spanish-speaking households, as well as other languages spoken in the region.

Digital marketing can be especially useful for building public awareness and persuading families to apply. It is relatively inexpensive, can be effectively targeted, and allows parents to immediately click through to an application site. Traditional media can reach a broader audience than social media and can also be used to help state agencies set the record straight about misinformation and disinformation.

Nothing is more effective, however, than in-person recruitment. Because education decisions are personal,

parents often want to talk to an informed person from the community before applying. One-on-one conversations might be especially productive with some homeschool families, who have become distrustful and skeptical of government-funded education programs. To help them connect with families, the state agent overseeing an ESA program may want to hold community workshops in concert with local groups and partner with local parent advocacy organizations (such as Families Empowered, EdFit, the Institute for Quality Education, Love Your School, EdNavigator, Children Scholarship Fund New Hampshire, and West Virginia Families United for Education). Local organizations often have high levels of expertise in parent engagement and have worked for years to build trust within diverse communities, making them invaluable partners in spreading the word about ESAs.

IMPLEMENTATION CHALLENGE: PARENT PARTICIPATION

When polled, more than 80% of parents show strong interest in participating in a program that allows them to use public funding to pay for a la carte educational services that meet their kids' unique learning needs.⁵

Despite this, only a small percentage of families participate in new ESA programs. Even in Arizona, where some form of ESA has existed for more than a decade, only about seven percent of eligible students have enrolled in the state's universal ESA program.

There are three main reasons for this gap between parent interest and participation: 1) most parents don't know about the new ESA program; 2) parents that do know about the program have difficulty applying and enrolling; and 3) parents that enroll end up having trouble finding education goods and services that meet their children's needs.

State agencies can close the enrollment gap by designing their parent-centered ESA marketing so that it will:

- *Meet parents at the places where they usually get information about their kids' education, including libraries, churches, and other community centers*
- *Provide parents with straightforward, easily understood information about their options*
- *Make ESA program enrollment fast and easy for all families*
- *Encourage more education providers to participate and meet student needs*

When a family is interested in ESA participation, it should have a quick and easy way to enter its basic contact information on the ESA website. State agencies can maximize accessibility by offering a parent portal in each of the major languages spoken in the region.

Verifying Family Eligibility

ESA programs have varying requirements for student eligibility, ranging from universal eligibility (where all resident students can participate) to programs that limit eligibility to a narrow subset of families.

SPECTRUM OF FAMILY ELIGIBILITY FOR ESA PARTICIPATION

LIMITED ELIGIBILITY

A small subset of families can participate. For example, the Mississippi special needs ESA is available to only 6% of the state's students.⁶

MODERATE ELIGIBILITY

A significant subset of a state's students can participate. For example, New Hampshire's income-based ESA program covers at least 30% of students.⁷

BROAD ELIGIBILITY

Universal or near-universal programs where all or almost all students in a state can participate. For example, 100% of Arizona's students are eligible for the state's universal ESA program.⁸

All ESA programs need processes to verify family eligibility, whether the eligibility is relatively easy to verify because the program is universal (e.g., any child aged 4 to 18 residing in a state) or complex (e.g., elementary-age students with specific disabilities living in certain regions from household incomes below 300% of regional poverty thresholds). Eligibility verification can be done in-house or through external vendors, either as a subcontract through a prime contractor or as a separate contract. Typically, state agencies use

external vendors for more complicated verification requirements.

More complicated programs usually drive costs higher, especially when combined with quick roll outs. For example, it's relatively easy and inexpensive to verify family eligibility for universal programs. All a family needs is proof of residency, such as government identification, tax filings, or even a lease or utility bill. For states that base eligibility on family income and types of disabilities, verification becomes more complicated, time-consuming, and expensive.

The default documentation to verify income is tax filings, but tax information raises several issues. First, state agencies must ensure that the vendor has the highest possible security because of the sensitive personally identifiable information (SPII) in tax forms. Second, many families, especially in low-income communities, do not submit annual tax forms. For example, about 40% of American households have no federal income tax liability⁹, and a substantial portion of them do not file with the Internal Revenue Service in a given year. Families can, of course, document their income in other ways, including evidence of receiving public benefits such as the Supplemental Nutrition Assistance Program (SNAP) or Medicaid's Children's Health Insurance Program (CHIP).

For income-based programs, the ideal would be for program managers to instantly verify income eligibility by directly accessing state revenue department and public benefit records through an application program interface (API). However, most state treasury departments are very reluctant to give outside vendors access to their data systems. Even if they are willing, it can take several months to develop a secure, reliable API.

When eligibility for the program or larger scholarships is limited to students with disabilities, verification can be relatively straightforward, as the parent only needs to present an approved Individualized Education Program (IEP) under the federal Individuals with Disabilities Education Act (IDEA) or a 504 plan under the federal Rehabilitation Act. The challenge for many families, however, is that the process for securing an

IEP is often onerous, litigious, and essentially limited to students enrolled in public schools. Similarly, obtaining 504 accommodations is difficult, although it is generally seen as less burdensome than obtaining an IEP.

Families who fight through the IEP or 504 process eventually get something tailored for their child. Once their child has an IEP or 504 plan, however, parents can be reluctant to change anything and take a chance on a new ESA program. These dynamics can conspire to limit the number of students with disabilities who enroll in ESA programs. The Mississippi ESA program, for example, which limits eligibility to students who have had an IEP within the past three years, continues to serve only a few hundred students. If a state wants to successfully serve students through an ESA program, it can broaden the approach to create clear pathways for students who have a disability but have not yet gotten an IEP or 504 accommodations. For example, Arizona's ESA program allows families to submit documentation from private providers for the purposes of establishing eligibility and scholarship funding.

Onboarding of Participating Families

ESA program administrators need to think through what parents will experience once they are approved. Ideally, the family interface with an ESA marketplace would be so intuitive that extensive parent training is not needed. Nonetheless, state agencies should ensure that any parent or caregiver will have access to training and help with how to access and use their ESA funds. Training topics for parents can include:

- The types of education services that are covered by the ESA program
- How to access ESA funds
- How to use the ESA marketplace, including how to locate education providers and submit requests for payment
- What to do if there is an education provider that is not yet registered

- Real-life examples of how families use ESA funds
- How to get additional support via telephone, email, and chat when navigating the ESA system

State agencies need to decide whether its training materials and help-desk services should be available in Spanish and other major languages used by local families.

Creating a Positive User Experience

Each state agent administering an ESA program should place a high priority on creating a quality user experience in which parents and providers alike find the program useful, easy to navigate, and efficient. The user experience will go a long way in determining whether parents and providers enroll in the program, continue participating, and recommend it to others.

The most effective way to ensure positive ESA user experience is by relying on a digital ESA platform, where parents can move through the full process of using ESA funds and education providers can easily receive payment. Most state agencies do not have the staff capacity or information-technology expertise to create this kind of site, but several vendors do, including ClassWallet, Merit International, Step Up for Students, and Students First Technology). Outside contractors can customize the platform to fit the state's unique policy parameters, education landscape, and family needs.

The ideal parent-centric ESA platform will include:

- A clear, searchable list of education providers that are approved by the state
- A summary of the goods and services offered by each provider
- A real-time balance of ESA funds available to a student
- The status of all itemized transactions, including refunds, as well as a historical record of completed transactions

Ideally, the program will attract multiple service providers across all geographic locations in the state (not just the major cities). Several states are considering how ESA marketplaces can effectively incorporate thoughtful parent ratings and reviews of education providers.

Additionally, the digital platform should provide multiple payment options to meet the varied needs of parents. Those should include:

(i) Direct ACH Payments to Education Providers

Parents should be able to request an ACH payment for any approved service provider and easily submit any required invoices or other documentation. The state agent or a vendor operating under its explicit instructions will review and approve or deny the request as appropriate. The payment vendor should automatically process approved payments, and education providers should be able to monitor the status of their transactions.

(ii) Reimbursements for Parents' Education Expenses

Parents often want an easy option for getting reimbursed for approved education expenses after they have made out-of-pocket purchases. The reimbursement option is especially relevant when an education provider has not yet been incorporated into the ESA platform, because it lets parents get education services while the provider is going through the approval process. Reimbursement also allows parents to use non-registered vendors, such as second-hand bookstores, extending the value of their ESA allotment further. So, the digital platform should allow parents to submit receipts for any qualified goods and services and then, upon approval, receive an ACH payment as a reimbursement. The state agent will need a clear process for approving each request. If an outside vendor reviews reimbursement requests, the state agent needs a clear process where unique or complicated requests can be elevated to it for final decisions.

(iii) Ecommerce for Education Purchases

Parents also appreciate being able to purchase education goods and services through an ecommerce platform that is integrated into the digital marketplace. Entirely within the ecommerce site, families can make purchases and use their digital wallets instead of their own credit or debit card. Ecommerce makes purchasing educational goods and services easy and convenient because it removes the need to submit invoices or receipts and providers deliver goods and services directly to the family. The state agent, however, still receives all purchase requests, and it needs to develop a clear process for review, elevation, approval, and appeal.

(iv) Debit cards

A few ESA programs have provided debit or purchase cards to parents for ESA purchases. Some parents prefer debit cards, either as their sole payment vehicle or as a supplement to a digital wallet or ecommerce site. States may especially want to provide debit cards tied to the ESA platform when, for a variety of reasons, direct ACH payments, reimbursements, and ecommerce are not feasible. (See Box) If the program offers debit cards, the overseeing agency should take additional steps to prevent mistaken purchases and intentional fraud, recognizing that additional reporting requirements on parents can make legitimate purchases more difficult and discourage participation. To help minimize waste, fraud, and abuse, debit cards can be virtual (installed on a smart phone), subject to pre-approval, or limited to a single use.

IMPLEMENTATION CHALLENGE: THE DEBIT CARD OPTION

In every state, a subset of parents will prefer an alternative to digital wallets or ecommerce sites. Debit cards allow parents to make instant purchases and get discounts, without waiting for providers to be incorporated into a digital marketplace. Debit cards might also make sense for families that do not have reliable internet access or personal bank accounts.

To make ESA funds accessible to as many families as possible, states may decide to issue restricted-use debit cards to parents who cannot, or do not wish to, access a digital wallet. These cards should be integrated into the digital platform's reporting and other administrative processes. They do not need to be physical cards (which can be easily misplaced); they can instead be virtual and uploaded onto smartphones. States can impose some safeguards, such as requiring parents to first upload a receipt or invoice before allowing other purchases.

Parents will sometimes demand debit cards when states are taking too long to approve additional education providers or ACH payments and reimbursements. The state can reduce demand for debit cards by efficiently approving payment requests and ensuring the ESA marketplace offers a large, diverse set of education providers.

The agency responsible for implementing the ESA program needs to have a clear and efficient process for verifying and approving or rejecting each transaction. An agency can work with its ESA platform vendor to design a process that includes collection of invoices and other documentation, verification that the expenditure is an allowed expense, and creation of an audit trail, ideally in real-time. The agency is responsible for approving transactions, but it can automate many approvals (such as periodic tuition payments) and delegate routine approvals to an outside vendor. It just needs to give clear approval guidelines to the vendor with the expectation that some requests will be returned to the agency for a final decision.

When ESA funds are being used to pay tuition at an approved private school, approving it can be relatively straightforward. Other expenses, however, may need to be verified and approved on a case-by-case basis.

For example, Amazon, which is approved as a vendor for many ESA programs, offers a wide range of both allowable and disallowed items. By including Amazon, the state agent takes on the task of ensuring that each purchase is allowed and meets program requirements. The approval or rejection of transactions can be executed automatically through business intelligence processes so that only unusual transactions need to be reviewed on a case-by-case basis.

The process of approving payments is more complicated when parents want to use ESA funds to pay for specific goods or services that the state agent has not previously approved. Ideally, parents will understand whether an expenditure is allowed by looking at clear program rules and guidance. But the state agent or its vendor also needs to be available to answer questions about what is allowed via phone, email, and chat. The ideal help desk would be able to respond in Spanish and other languages, be available in the evening and on weekends to accommodate working parents, and be able to field a high volume of calls. State should anticipate that parents will also use the ESA platform and the state's approval process to confirm whether specific services or goods can be paid for using ESA funds.

IMPLEMENTATION CHALLENGE: PAYMENTS FOR TRANSPORTATION

ESA programs sometimes give parents the ability to purchase transportation to their chosen educational program or therapy, just as traditional school districts provide transportation for its students.

States have provided several options for parents to use ESA funds for student transportation, including:

- *Public transportation*
- *Ride share services*
- *Mileage reimbursements*

Most current ESA programs do not accommodate requests for transportation costs. Arizona's original ESA law, for example, did not allow parents to use ESA funds for transportation until 2022, when it was amended to include transportation expenses to and from a qualified school. Other states can learn from Arizona's example.

IMPLEMENTATION CHALLENGE: UNUSUAL PAYMENT REQUESTS

Inevitably, parents in every ESA state will make unforeseen payment requests for goods and services designed to meet their child's unique educational needs. State agencies need to consider how they will approach unanticipated requests.

In Arizona, for example, a family wanted to buy materials for building a chicken coop as part of a science curriculum. Because this purchase was not a common educational expense like tuition or a textbook, the Arizona Department of Education spent extra time reviewing it and elevated the final decision to senior officials. In the end, ADE approved most of the expenditures because each item was listed in the curriculum as a key component of the educational experience. However, ADE did not approve the purchase of live chickens, consistent with previous decisions to deny the purchase of animals.

Many benefits flow from having clear and documented guidance about the expenditure review and approval process, including descriptions of escalation procedures and appeals. In designing such a process, most agencies will want to err toward allowing parents to decide what their children need unless it is disallowed by statute. Some judgment will be required, recognizing that ESA opponents will use unusual expenditures to create doubt about these programs. Clear guidance will not only help ensure consistent and timely approvals, but it will also help assure families that decision-making is fair and applies to everyone. Finally, it helps protect agency staff from accusations of being arbitrary and capricious.

Ensuring Program Transparency

To fulfill their obligations as stewards of taxpayer resources, state agencies should build ESA programs so that all stakeholders will have appropriate levels of visibility into expenditures and outcomes. A parent, for example, should be able to login into their ESA account and see exactly where and when their child's ESA funds have been allocated, and education providers should be able to see the status of payments. (See box.) Agency officials need to be able to review a broad range of metrics to inform their policy and management decisions—including trends in types of expenditures, time between parent request and approvals, and parent

and provider satisfaction with the program. Lawmakers may be interested in the same metrics as state officials, and taxpayers and the media need to understand how the program is growing and having an impact. Planning upfront for transparency will make it much easier to create and distribute information and respond to public records requests.

INFORMATION THAT A HIGH-QUALITY DIGITAL ESA PLATFORM WILL PROVIDE

FOR PARENTS

- The status of their application to participate in the program.
- The status of their orders for educational goods and services.
- The status of any payments they have requested for purchases and reimbursement.
- A record of all goods and services that have been paid for using ESA funds.
- The real-time balance in their ESA account, including any expiration dates of funds.
- If applicable, notifications that parents need to reapply to remain in the program after the current school year.

FOR EDUCATION PROVIDERS

- The status of their application to participate in the ESA marketplace.
- The status of any payments that are in process.
- A record of all payments that have been received by the provider through the ESA program.

Through a digital ESA platform, administrators can access transactional data in real-time or for a specific period. They can, for example, pull information about the number and different types of ESA transactions by region. The information can also let administrators see the timing of administrative processes and help them make decisions about how to improve aspects of the program, including expenditure approvals, marketing efforts, and recruitment of families and education providers.

Many ESA laws require that the administering agency publish a public ESA report either quarterly or annually. The Florida Department of Education, for example, has provided highly detailed reports about each of its school choice programs for over a decade. These ESA reports are a good practice regardless of whether they are required by statute, partly because they eliminate the need to respond individually to dozens of public records requests. In keeping with a focus on transparency, the agency compiling the public report can anticipate public records requests and include such detailed information about the ESA program in the report as:

- Number of participating students and demographic information about them
- Geographic locations of participating students
- Ages or Grade levels of participating students
- ESA spending broken down by helpful categories (e.g., school tuition, tutoring services, supportive technologies, etc.)
- Amount of total ESA spending for school year

Taxpayers deserve clear and understandable information about the ESA programs they support. Agencies need to be sensitive, however, to the public context. Since our education system is compliance-based, the policy default whenever issues or problems arise is to impose new rules, reporting requirements, and restrictions. Over time, this default has led to a standardized system where many of its employees assume they cannot deviate from established norms, even when changes would clearly benefit students and the law allows more judgment and flexibility. ESA

programs, in contrast, reject standardization and assume that parents should be the ultimate decision-makers when it comes to educating their children.

In this context, merely being transparent about ESA transactions is not enough. State agencies should simultaneously communicate their own plans for implementing the program with fidelity and excellence. Agencies can be explicit about their role, consistent with statute, of focusing on the needs of students and families while being good stewards of taxpayer funds. Their plans should include how and when the agency will document its administrative processes, issue refinements to rules and regulations, conduct program and financial audits, and communicate with all ESA stakeholders.

ESA programs promise to improve student outcomes, and not only for the children who participate in them. Research has consistently shown that children not enrolled in education-freedom programs also benefit, as surrounding schools respond constructively to choice and competition. State agencies hold the keys to fulfilling the promise of ESAs. By executing these programs with excellence and fidelity, hopefully using tips from this guide, they will help improve American education, to the benefit of all our children.

NOTES

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CONTRIBUTORS

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